

ASSEMBLY BILL

No. 585

**Introduced by Assembly Member Nation
(Coauthor: Assembly Member John Campbell)**

February 21, 2001

An act to amend Sections 5081, 5081.1, 5082, 5082.1, 5082.2, 5083, 5084, and 5087 of, and to add Sections 5076, 5080.2, 5081.2, 5081.3 and 5083.1 to the Business and Professions Code, relating to public accountants.

LEGISLATIVE COUNSEL'S DIGEST

AB 585, as introduced, Nation. Public accountants.

Existing law provides for the licensing and regulation of the practice of accountancy by the State Board of Accountancy in the Department of Consumer Affairs. Pursuant to existing law, the board may adopt rules and regulations to carry out and facilitate its duties.

Existing law requires that an applicant for the certified public accountants' examination meet specified educational requirements.

This bill would repeal these provisions relating to educational requirements on January 1, 2005. The bill would also change the existing requirement that an applicant who qualified with an A.A. degree or its equivalent have studied accounting and related business administration subjects for at least 4 years to a requirement of completion of at least 120 semester units in those subjects.

This bill would, in the period between January 1, 2002 and December 31, 2004, allow an applicant to meet the educational requirements for admission to the licensing examination by showing that he or she has completed at least 120 semester units of college or higher education at an institution meeting specified standards, and would require that the

program include an accounting concentration or its equivalent. After January 1, 2005, the bill would require an applicant to meet this standard in order to qualify for admission to the examination.

Under existing law, a certified public accountant license candidate is required to pass a written examination. Existing law provides that a candidate who passes 2 or more subjects but fails the examination has the right to be reexamined in only the remaining subjects.

This bill would delete the requirement that the examination be in written form. The bill would also delete the provision allowing a candidate who passes 2 or more subjects to be reexamined only in the remaining subjects. The bill would require the board to adopt regulations specifying the standards for passage of examinations and reexaminations.

This bill would revise the existing requirements for licensure as a certified public accountant for an applicant who applies between January 1, 2002 and December 31, 2004. The bill, beginning January 1, 2005, would require an applicant to have 150 semester units, including a B.A. or higher degree, from a qualified institution, and one year of experience in order to qualify for a license.

Existing law requires an applicant for licensure to have either 3 or 4 years of experience depending upon the manner in which he or she qualified to sit for the examination.

This bill would repeal this requirement on January 1, 2005.

Existing law provides that a college graduate who has completed a 4-year course of study meeting certain requirements has one year of credit towards public accounting experience requirements.

This bill would repeal this provision on January 1, 2005. The bill would also require the board to adopt specific regulations governing the approval of credential evaluating services used to assess educational equivalency.

Existing law requires that an applicant for a certified public accountant license be over 18 years of age, and prohibits the board from giving a license to an applicant with a certified public accountant license from another state who is not over 18 years of age.

This bill would delete this age requirement.

This bill would require a firm to meet certain specified requirements in order to provide attest services, and would provide that, under certain circumstances, the board may grant a firm an extension of up to one year to meet peer review requirements for those services. The bill would



require the board to adopt regulations implementing, interpreting, and making specific these requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 5076 is added to the Business and
2 Professions Code, to read:

3 5076. (a) A partnership, corporation, or sole proprietor shall
4 not provide attest services without meeting one of the following
5 requirements:

6 (1) The firm is authorized by law to practice public
7 accountancy in California as of December 31, 2001; completes a
8 peer review prior to the first registration expiration date after
9 January 1, 2003, and no less frequently than every three years
10 thereafter; and complies with the registration requirements of this
11 chapter.

12 (2) The firm applies to the board and receives board approval
13 to provide attest services; completes a peer review within one year
14 of approval of its application by the board and no less frequently
15 than every three years thereafter but until completion of that peer
16 review employs at least one certified public accountant or public
17 accountant with qualifying attest experience; and complies with
18 the registration requirements of this chapter.

19 (b) The board may for good cause grant an extension of up to
20 one year to a firm that applies to be a provider of attest services
21 under paragraph (2) of subdivision (a) and is unable to complete
22 a peer review within one year of approval of its application.

23 (c) For purposes of this section, the following definitions
24 apply:

25 (1) "Peer review" means a study, appraisal, or review
26 conducted in accordance with professional standards of the
27 professional work of a licensee or registered firm by another
28 licensee unaffiliated with the licensee or registered firm being
29 reviewed. The peer review shall include, but not be limited to, a
30 review of at least one attest engagement representing the highest
31 level of service performed by the firm and may include an
32 evaluation of other factors in accordance with requirements
33 specified by the board in regulations.

(2) “Attest” includes an audit, a review of financial statements, an examination of prospective financial information, and other services as the board may specify by regulation.

(d) The board shall adopt regulations as necessary to implement, interpret, and make specific this section, including, but not limited to, regulations specifying the qualifications and responsibilities of the individual with qualifying attest experience for purposes of paragraph (2) of subdivision (a), regulations specifying the requirements for the approval of peer review providers, and regulations establishing a peer review oversight committee.

SEC. 2. Section 5080.2 is added to the Business and Professions Code, to read:

5080.2. (a) During the period January 1, 2002, through December 31, 2004, applicants for the certified public accountant license, in addition to meeting the examination requirements of this article, shall do either of the following:

(1) Meet the educational requirements of Section 5081.1 and the experience requirements of Section 5083.

(2) Meet the educational requirements of Section 5081.3 and the experience requirements of Section 5083.1.

(b) Commencing January 1, 2005, all applicants for the certified public accountant license, in addition to meeting the examination requirements of this article, shall meet the educational requirements of Section 5081.3 and the experience requirements of Section 5083.1.

SEC. 3. Section 5081 of the Business and Professions Code is amended to read:

5081. An applicant for admission to the examination for a certified public accountant license shall:

(a) Not have committed acts or crimes constituting grounds for denial of a license under Section 480.

(b) File the application for the examination. An application for the examination shall not be considered filed unless all required supporting documents, fees, and the fully completed board-approved application form are received in the board office or filed by mail in accordance with Section 11003 of the Government Code on or before the specified final filing date.

(c) Meet one of the requirements specified in Section 5081.1 *or* Section 5081.2.

SEC. 4. Section 5081.1 of the Business and Professions Code is amended to read:

5081.1. An applicant for admission to the examination for a certified public accountant ~~certificate~~ *license during the period January 1, 2002, through December 31, 2004*, shall comply with one of the following *requirements or shall meet the requirements of Section 5081.2*:

(a) ~~He or she~~ *The applicant* shall present satisfactory evidence that he or she has either of the following:

(1) A baccalaureate degree from a university, college or other four-year institution of learning accredited by a regional or ~~national institutional accrediting agency or association~~ included in a list of these agencies or associations published by the United States ~~Commissioner~~ *Secretary* of Education under the requirements of ~~Section 253 of the Veterans' Readjustment Assistance Act of 1952, known as Public Law 550 of the 82nd Congress, as amended, the Higher Education Act of 1965 as amended~~, with a major in accounting or related subjects requiring a minimum of 45 semester units of instruction in these subjects. If the applicant has received a baccalaureate degree in a nonaccounting major, the applicant shall present satisfactory evidence of study substantially the equivalent of an accounting major, including courses in related business administration subjects.

(2) A degree or degrees from a college, university, or other institution of learning located outside the United States that is approved by the board as the equivalent of the baccalaureate degree described in paragraph (1). The board may require an applicant under this paragraph to submit documentation of his or her education to a credentials evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board. The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (A) furnish evaluations directly to the board; (B) furnish evaluations written in English; (C) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services; (D) be used by

1 accredited colleges and universities; (E) be reevaluated by the
2 board every five years; (F) maintain a complete set of reference
3 materials as specified by the board; (G) base evaluations only upon
4 authentic, original transcripts and degrees and have a written
5 procedure for identifying fraudulent transcripts; (H) include in the
6 evaluation report, for each degree held by the applicant, the
7 equivalent degree offered in the United States, the date the degree
8 was granted, the institution granting the degree, an English
9 translation of the course titles, and the semester unit equivalence
10 for each of the courses; (I) have an appeal procedure for applicants;
11 and (J) furnish the board with information concerning the
12 credential evaluation service that includes biographical
13 information on evaluators and translators, three letters of
14 references from public or private agencies, statistical information
15 on the number of applications processed annually for the past five
16 years, and any additional information the board may require in
17 order to ascertain that the credential evaluation service meets the
18 standards set forth in this paragraph and in any regulations adopted
19 by the board.

20 (b) ~~He or she~~ *The applicant* shall present satisfactory evidence
21 that he or she has successfully completed a ~~year~~ *two-year* course
22 of *college level* study ~~at college grade~~ or received an associate in
23 arts degree from a ~~junior~~ *community* college, either institution
24 accredited by a regional or national accrediting agency or
25 association that is included in a list published by the United States
26 Commissioner of Education under the provisions of federal law
27 specified in paragraph (1) of subdivision (a), and that he or she has
28 ~~studied~~ *completed a minimum of 120 semester units which*
29 *includes the study of* accounting and related business
30 administration subjects ~~for a period of at least four years~~.

31 (c) The applicant shall show to the satisfaction of the board that
32 he or she has had the equivalent of the educational qualifications
33 required by subdivision (b), or shall pass a preliminary written
34 examination approved and administered by an agency approved
35 by the California State Department of Education and shall have
36 completed a minimum of 10 semester units or the equivalent in
37 accounting subjects. The 10 semester units in accounting subjects
38 shall be completed at a college, university, or other institution of
39 higher learning accredited at the college level by an agency or
40 association that is included in a list published by the United States

1 Commissioner of Education under the federal law specified in
2 paragraph (1) of subdivision (a).

3 (d) ~~He or she~~ *The applicant* shall be a public accountant
4 registered under this chapter.

5 (e) *This section shall remain in effect only until January 1,*
6 *2005, and as of that date is repealed, unless a later enacted statute,*
7 *that is enacted before January 1, 2005, deletes or extends that date.*

8 SEC. 5. Section 5081.2 is added to the Business and
9 Professions Code, to read:

10 5081.2. Except as provided by Section 5081.1, an applicant
11 for admission to the examination for a certified public accountant
12 license shall present satisfactory evidence that the applicant has
13 completed at least 120 semester units of college education
14 including a baccalaureate or higher degree conferred by a college
15 or university, meeting at a minimum the standards described in
16 subdivision (b) of Section 5081.3, the total educational program
17 to include an accounting concentration or equivalent as specified
18 by the board in regulations.

19 SEC. 6. Section 5081.3 is added to the Business and
20 Professions Code, to read:

21 5081.3. (a) Except as provided in Section 5080.2, an
22 applicant for a certified public accountant license shall present
23 satisfactory evidence that the applicant has completed at least 150
24 semester units of college education including a baccalaureate or
25 higher degree conferred by a college or university, meeting at a
26 minimum the standards described in subdivision (b), the total
27 educational program to include an accounting concentration or
28 equivalent as specified by the board in regulations.

29 (b) (1) In order for education to be qualifying, it shall meet the
30 standards described in subparagraph (A) or subparagraph (B).

31 (A) At a minimum, the education shall be from a university,
32 college, or other institution of these agencies published by the
33 United States Secretary of Education under the requirements of the
34 Higher Education Act of 1965 as amended.

35 (B) Education from a college, university, or other institution of
36 learning located outside the United States may be qualifying
37 provided it is deemed by the board to be equivalent to education
38 obtained under subparagraph (A) of this paragraph. The board
39 may require an applicant to submit documentation of his or her

1 education to a credentials evaluation to be reported to the board in
2 order to assess educational equivalency.

3 (2) The board shall adopt regulations specifying the criteria and
4 procedures for approval of credential evaluation services that
5 require services to do the following:

6 (A) Furnish evaluations directly to the board.

7 (B) Furnish evaluations written in English.

8 (C) Be a member of the American Association of Collegiate
9 Registrars and Admission Officers, the National Association of
10 Foreign Student Affairs, or the National Association of Credential
11 Evaluation Services.

12 (D) Be used by accredited colleges and universities.

13 (E) Be reevaluated by the board every five years.

14 (F) Maintain a complete set of reference materials as specified
15 by the board.

16 (G) Base evaluations only upon authentic, original transcripts
17 and degrees and have a written procedure for identifying
18 fraudulent transcripts.

19 (H) Include in the evaluation report for each degree evaluated
20 the date the degree was granted, the institution granting the degree,
21 an English translation of the course titles, the semester unit
22 equivalents for each of the courses, and the equivalent degree
23 offered in the United States.

24 (I) Have an appeal procedure for applicants.

25 (J) Furnish the board with information concerning the
26 credential evaluation service, three letters of reference from public
27 or private agencies, statistical information on the number of
28 applications processed annually for the past five years, and any
29 additional information the board may require in order to ascertain
30 that the credential evaluation service meets the standards set forth
31 in this paragraph and in any regulations adopted by the board.

32 SEC. 7. Section 5082 of the Business and Professions Code
33 is amended to read:

34 5082. An applicant for a certified public accountant license
35 shall ~~be over the age of 18 years and shall~~ have successfully passed
36 ~~written~~ examinations in such subjects as the board deems
37 appropriate.

38 SEC. 8. Section 5082.1 of the Business and Professions Code
39 is amended to read:

5082.1. All examinations provided for herein shall be held by the board at such places as circumstances may warrant, and as often as may be necessary in the opinion of the board. The board may contract with any organization, governmental or private, for examination material or services. Within 90 days after the examination the board shall notify each candidate of his or her grade. All examination ~~papers~~ *records* shall be preserved for a period of at least six months after the notification of grading and any candidate shall, upon request to the board, have access to his or her ~~papers~~ *records*.

SEC. 9. Section 5082.2 of the Business and Professions Code is amended to read:

5082.2. A candidate who fails an examination provided for herein shall have the right to any number of reexaminations at subsequent examinations held by the board. ~~A candidate who passes an examination in two or more subjects shall have the right to be reexamined in the remaining subject or subjects only, at subsequent examinations held by the board, and if he or she passes in the remaining subject or subjects within a period of time specified in the rules of the board, he or she shall be considered to have passed the examination. The board shall adopt regulations specifying the standards for passage of the examination and for reexamination.~~

The board may give credit to a candidate who has passed all or part of the examination in another state or territory; if the members of the board determine that the standards under which the examination was held are as high as the standards established for the examination in this chapter.

SEC. 10. Section 5083 of the Business and Professions Code is amended to read:

5083. (a) An individual applying for licensure *who meets the educational requirements of Section 5081.1* shall meet, to the satisfaction of the board, one of the following *experience* requirements:

(1) Four years of experience if the applicant qualified to sit for the exam by meeting the requirements of subdivision (b) or (c) of Section 5081.1.

(2) Three years of experience if the applicant qualified to sit for the exam by meeting the requirements of subdivision (a) or (d) of Section 5081.1 or meets the requirements of Section 5082.3.

(b) In order to be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting may be qualifying if completed by, or in the employ of, a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing employment may be qualifying provided that this work was performed under the direct supervision of an individual licensed by a state to engage in the practice of public accountancy.

(c) The board shall prescribe rules establishing the character and variety of experience necessary to fulfill the experience requirements set forth in this section, including a requirement that each applicant demonstrate to the board satisfactory experience in the attest function as it relates to financial statements. For purposes of this subdivision, the attest function includes audit and review of financial statements.

(d) This section shall remain in effect only until January 1, 2005, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2005, deletes or extends that date.

SEC. 11. Section 5083.1 is added to the Business and Professions Code, to read:

5083.1. An applicant applying for initial issuance of a license by meeting the educational requirements of Section 5081.3 shall show to the satisfaction of the board that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management, advisory, tax financial advisory tax or consulting skills all of which meet requirements prescribed by the board in regulations. In order to be qualifying under this section, experience shall have been performed in accordance with applicable professional standards and shall have been supervised and verified by a licensee of the California Board of Accountancy or licensee of an accountancy board of another state. Acceptable experience may be gained through employment in government, industry, or public practice.

SEC. 12. Section 5084 of the Business and Professions Code is amended to read:

5084. The board shall grant one year's credit toward fulfillment of its public accounting experience requirement to a

1 graduate of a college who has completed a four-year course with
2 45 or more semester units or the equivalent thereof in the study of
3 accounting and related business administration subjects, of which
4 at least 20 semester units or the equivalent thereof shall be in the
5 study of accounting.

6 The members of the board shall prescribe rules establishing the
7 character and variety of experience necessary to fulfill the
8 experience requirements set forth in this section.

9 *This section shall remain in effect only until January 1, 2005,*
10 *and as of that date is repealed, unless a later enacted statute, that*
11 *is enacted before January 1, 2005, deletes or extends that date.*

12 SEC. 13. Section 5087 of the Business and Professions Code
13 is amended to read:

14 5087. (a) The board may issue a certified public accountant
15 license to any applicant who is a holder of a valid and unrevoked
16 certified public accountant license issued under the laws of any
17 state, if the board determines that the standards under which the
18 applicant received the license are substantially equivalent to the
19 standards of education, examination, and experience established
20 under this chapter and the applicant ~~is over the age of 18 years, and~~
21 has not committed acts or crimes constituting grounds for denial
22 under Section 480.

23 (b) The board may in particular cases waive any of the
24 requirements regarding the circumstances in which the various
25 parts of the examination were to be passed for an applicant from
26 another state.

